

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Melbourne – 3 September 2001

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Witness

Mr B. Carolan, Commercial Director, National Express Group (Australia).

The CHAIRMAN — I declare open this meeting of the Economic Development Committee, which is an all-party committee investigating the issue of structural changes in the Victorian economy. I advise all present at this hearing that all evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

We welcome Mr Bernie Carolan, commercial director of National Express Group (Australia), to our inquiry. Mr Carolan, you are aware of the reference we have before us, which is to do with structural change. In looking at that reference, we have to get our minds around what happened five or six years ago, what has happened since and where we are now. We have to be able to trace what happened over that period. One of our problems has been that many of our witnesses have concentrated on what is happening now rather than what has happened over the past five or six years. I will put that comment on the table to start off with. We usually run these hearings by asking witnesses to make an opening statement and we might then ask some questions.

Mr CAROLAN — I was not fully aware that the terms of reference went back that far either, but it is quite okay. My presentational material concentrates on the period since 1999 when public transport was franchised, but I am happy to deal with questions on the period before that. I have been involved in transport for some years, so I am happy to deal with that period by way of questions. I have some presentation slides in hard copy form to work through, which I will distribute. I will try to work through this presentation promptly, so I will gloss over a couple of the slides and focus on the ones I think you will be more interested in. My company, National Express, has been in Victoria since 1999 as a result of the franchising process in Victoria which led to us operating Bayside Trains, Swanston Trams and V/Line Passenger, and also as a result of acquisition, because in that same year — 1999 — we purchased National Bus Company, which operates out to the eastern suburbs.

The CHAIRMAN — From a private provider?

Mr CAROLAN — It was previously owned by a group — the Bosnjak brothers — from Sydney, and it was sold to them by the Met in about 1992.

My role is that of commercial director. I have been involved in public transport in Victoria, in one way or another, for about 30 years — unfortunately, as it starts to say something about age, but that's the way it is. I have had an involvement in all the major public transport modes — bus, train and tram — and have worked in a wide spectrum of roles, both in the government operating authorities such as the Public Transport Corporation (PTC) and in government regulatory agencies before that. I also spent some years consulting. By coincidence, I happen to be the longest-serving National Express employee, because I started at the time of the bidding process. National Express Group (Australia) is a wholly owned subsidiary of National Express Group PLC, which is listed in London. I do not intend to go right through the organisation chart you have before you; it is simply there to show that it is a fully owned subsidiary with an Australian-based chief executive officer. We are left pretty much to our own devices, except for obvious things where you would expect a parent to take an interest.

National Express Group is a very large company worldwide with interests mainly in the United States, the United Kingdom and Australia. You will see from the next slide that we are the owner and operator of a large number of individual businesses in the UK providing both bus and long-distance coach operations, which are the original roots of National Express. In fact, it is the only business that trades as National Express. All of us have probably been in Britain at some stage and seen National Express coaches; it is the only company that actually trades that way. In the US, the operations are focused around some urban transit buses and, in particular, school buses. We have already talked about its operations in Australia. It is an unusual company in that National Express carries only people. At this stage of its development it is not interested in freight transport. It has an interest — or did have an interest until recent times — in a couple of airports in Britain, but it has sold those. It is uniquely involved in simply transporting people going about their daily business or for tourism purposes. In that context, much of what we do was previously operated by government-owned entities, both here and in the other countries. In virtually all of what we do there remains a close relationship between ourselves as the operator and the relevant government policy-making or regulatory body. The nature of your inquiry is nothing new to us, because the context of looking at the structural change involved in a private operator being involved in a business like ours is something we have worked through elsewhere as well.

Worldwide, we have nearly 40 000 employees in the businesses that operate under our umbrella, of whom just under half are in the company's original stamping ground — that is, the UK — where we carry about 560 million passengers on the various operations. In the US we have mainly school buses and urban transit buses, as I

mentioned, with about 17 000 employees. It is almost a one-for-one relationship — if you own a bus or a school bus then you need a driver for it — so obviously the great bulk of those employees in the US are bus drivers.

In Australia, as I mentioned, we have the franchises for Bayside Trains and Swanston Trams, which are now to be called M Train and M Tram; V/Line Passenger; National Bus Company in Victoria, and there is also a National Bus Company in Queensland; Westbus in Sydney, out in the western suburbs near Parramatta; Blue Ribbon Coaches in Newcastle; and Southern Coast Transit in Western Australia, which operates down towards Mandurah, south of Perth.

Mr THEOPHANOUS — Are you involved in school buses?

Mr CAROLAN — In Australia?

Mr THEOPHANOUS — Yes.

Mr CAROLAN — Not really. Some of those urban buses — such as National Bus Company here, Southern Coast Transit in Perth and Westbus in Sydney — certainly carry a lot of students, but they are not dedicated school buses in the sense that we think of them here, where they are pure school contracts.

Mrs COOTE — It says on a committee document that there are 11 Kew school routes; is that right?

Mr CAROLAN — Yes, with National Bus Company.

Mr CRAIGE — That is a private contract.

Mr CAROLAN — I am just making the distinction that those school routes will still carry kids using ordinary Metcards to travel, if you like, rather than being a pure contract to the school.

Mr THEOPHANOUS — You might want to talk to me about school buses because I am currently conducting a review for the government and I notice you have not been in touch.

Mr CAROLAN — I will note that. In Australia we have about 4000 employees. Getting closer to home, most of you would be familiar with Swanston Trams — M Tram — and the simplest way to think of the difference between ourselves and Yarra Trams is that the routes that operate north-south through the city — Swanston Street and Elizabeth Street — are Swanston Trams and those that operate east-west through the heart of the city are Yarra Trams. Swanston Trams has a bit more than half the routes across all of Melbourne — that is, about 17 out of 30 or so. Since franchising in 1999, we have introduced around 400 extra trips a week. Next year will be a red-letter day for the tram system in Melbourne in that both ourselves and Yarra Trams will introduce about 90 new trams altogether; about 59 will be ours and 31 will be theirs. The first of Yarra's new trams is in Melbourne being tested. Certainly during 2002 there will be a quite marked improvement in the fleet of the tram system in Melbourne. They will be introduced progressively over 2002–03.

Mr McQUILTEN — Where are they coming from?

Mr CAROLAN — They are coming largely from Europe. The Yarra trams are being built by Alstom, which is dominated by the French — obviously all these companies are multinational — and in our case they are being built by Siemens and largely constructed in Germany.

Mr THEOPHANOUS — With no Australian content?

Mr CAROLAN — No, there is considerable Australian content, but the vehicle building industry is a multinational industry. In worldwide terms there are now only three large players in the Westernised countries, if I can put it that way, being Alstom, Siemens and Bombardier, which is a Canadian company that has only recently purchased a company previously known as Adtranz. Those three companies are the big players on a worldwide scale. They are all interested in reopening Australian manufacturing content, if that is the appropriate way to express it, but it was not feasible to embody that in the orders placed in 1999; it may be feasible for some future orders. There is still considerable local content in terms of final assembly and certain component suppliers who are supplying components from here.

Mr THEOPHANOUS — Can you provide us with material on the level of local content in those orders?

Mr CAROLAN — I can. It is already available through the department. I am not sure what the appropriate way to deal with that is, but the information is readily available. The name Bayside Trains — M Train — is a bit of a misnomer because some of the Bayside routes go a long way from the bay towards Broadmeadows, Upfield, and so on. Nevertheless, a proportion of the other Bayside services are bayside — Frankston, Werribee and Williamstown. Bayside has a bit more than half of the total metropolitan train system. Since 1999 we have introduced around 300 additional services a week, and again, a considerable investment in new trains will occur from part way through 2002 and across the next couple of years after that.

Mrs COOTE — Have those additional services been in one particular area or across the spectrum?

Mr CAROLAN — They have been across the spectrum, dominated by some of the services that were pretty much at peak capacity, such as the Dandenong and Frankston lines which have always been the heaviest patronised lines, and also the lines servicing some of the growth corridors such as Werribee — Werribee is probably the fastest growing of our routes — and Broadmeadows, to a certain extent. The additional services have been across the board, but probably dominated by those three or four services. I am sure you are all familiar with V/Line Passenger. We operate virtually all the country train and coach network, but our franchise does not include the Warrnambool and Shepparton corridors which were franchised to other companies some years earlier, and I will mention that again in a moment. In V/Line Passenger there have been about 150 extra services a week introduced — again, across the board. In proportional terms that is a much bigger increase in service for V/Line passengers than the metropolitan increases I mentioned a moment ago.

Mr BEST — Are you looking at any other Sprinter services?

Mr CAROLAN — I will come to that in a moment.

Mr CRAIGE — You say V/Line coach services; do you mean V/Line designated coaches and those coaches that are contracted to those services as well? There are two different sorts, are there not?

Mr CAROLAN — There is, in a sense, a bit of a split known only to the aficionados. So-called rail replacement coach services — that is, services that relate to a location where there was a train line once upon a time, even if it was many years ago — are regarded as a fully fledged part of the V/Line franchise and are managed and contracted to us. Services that were introduced by a private operator who may have been in existence in such and such a place for many years are often marketed and appear to be a V/Line service, so they will still have a V/Line badge for purposes of selling it as part of a through ticket and so on, but those categories are administered by the Department of Infrastructure. I do not know the details, but probably a bit over half are contracted to us and a bit less than half are managed by the Department of Infrastructure.

Beyond the fleet investment that I have talked about in the metropolitan area, the main change we expect Melburnians to see over the next year or two is that as of next month we will be more actively changing the name of Bayside Trains and Swanston Trams to M Train and M Tram. That change will be associated with a number of cosmetic improvements, if I can call them that, such as new uniforms and progressively some resignage and so forth. But, more importantly, behind the scenes it is about us trying to really put a focus on improved service, via frontline staffing attitudes, information, safety, cleanliness and so on.

We even mention ticketing there, bravely. I am sure you are aware that improving metropolitan ticketing is not entirely within our ability. There are longstanding arrangements with Onelink. We are working with many others to improve the outcome that passengers get from the ticketing scheme and we are aware, obviously, that improvements still need to be made. In the case of V/Line Passenger — and to answer your question, Mr Best, in part — under the franchise arrangements we will be operating the announced new faster trains to Ballarat, Bendigo, Geelong and Traralgon.

Mr CRAIGE — There is no doubt about that at all?

Mr CAROLAN — Not from our point of view, no. To do that we are purchasing 29 new vehicles for that role, which is the same order of trains that we were intending to have at the time of the franchising in 1999, but they are different trains. So they are Sprinter-type trains but with a higher speed capability than the Sprinters that are currently on the network.

Mr BEST — Are they a tilt train?

Mr CAROLAN — No, they are not a tilt train.

Mrs COOTE — What sorts of times are we going to be talking about, with Ballarat and Bendigo? At what speeds will the trains go?

Mr CAROLAN — The trains have been purchased to operate at up to 160 kilometres an hour. The travel times for each of the four corridors — you have me there, to quote them verbatim to you, but they are on the record from the government's announcements and you can check them. The infrastructure works are being commissioned shortly — they are being put to tender later this month, as I understand it. It is obviously the interface between the infrastructure works and vehicles' capability which will then deliver the travel times.

Mr BEST — How long before you get these new trains?

Mr CAROLAN — The new trains are being ordered more or less as we speak and will be delivered in about two to three years, which is consistent with when the infrastructure works will be completed for the new travel times.

Mr BEST — Just remind me, what is Bendigo's going to drop to? I have forget.

Mr CAROLAN — I cannot quote the definite time on that.

Mr McQUILTEN — I think it will be something like 1 hour and 20 minutes.

Mr CAROLAN — I think it will be 80 or 85 minutes; it is nearly 2 hours at the moment.

Mr CRAIGE — Where are the trains being manufactured?

Mr CAROLAN — We are still in negotiation with the supplier. So I cannot answer the question fully because the negotiations are not completely concluded.

Mr CRAIGE — The answer to that question is you do not really know at this stage?

Mr CAROLAN — I certainly cannot put it on the record. At the stage of negotiations we are at that is not appropriate because there are a lot of confidential negotiations going on and depending on how those negotiations are finally concluded will dictate where they are made.

The CHAIRMAN — That is fair enough.

Mrs COOTE — On your understanding of the infrastructure and taking the Bendigo line for example, is it your understanding that the faster trains, not the fast trains — and I think it is important we get the terminology right — will be stopping at Gisborne, Woodend and Kyneton? What is your understanding of that?

Mr CAROLAN — Our debates with the project team that is managing this for the Department of Infrastructure in terms of precise service levels and stopping patterns are nowhere near concluded. Obviously these new services will not actually be running for a couple of years yet. It is self-evident that to get the fastest possible time you operate end-to-end express. I would have thought that it will not be necessary in all cases to deliver the sorts of trip times that are being talked about and there will end up being a mix in each corridor. That is the right thing to do, anyway, because the number of people that might justify a complete end-to-end express will not justify every train being an end-to-end express in those corridors; the population density is simply not there.

Mr BEST — Particularly on the Bendigo line, where you have Bendigo, Castlemaine, Kyneton — three substantial towns.

Mr CAROLAN — And closer to Melbourne, Woodend and Sunbury. On the Ballarat line, you have Bacchus Marsh and Melton as key places. Geelong is a little bit easier. On the Traralgon line obviously you have Traralgon, Morwell, Moe and Warragol as all being substantial.

Mr BEST — What sort of investment will the purchase of 29 new trains be?

Mr CAROLAN — Again, I did not include that, whereas I did in the other cases, simply because the negotiations are still current, so I cannot put that on the record as yet, either.

Mr THEOPHANOUS — This is very much a partnership with the government, as I understand it. There is a significant investment by the government in the new infrastructure and you are then purchasing the trains and providing the service; is that how it is going to work?

Mr CAROLAN — That is essentially correct. The infrastructure in country Victoria is not leased to us; in metropolitan Melbourne it is. Where we run Bayside Trains the infrastructure is leased to us. In country Victoria it is not; it is leased to Freight Victoria Ltd and the state is contributing the money for that infrastructure to be upgraded. While we are important to that, because the interface between our vehicles and the infrastructure is crucial, it is the state-funded infrastructure improvement on a piece of infrastructure that is leased to Freight Victoria. So it is effectively a three-way partnership, not just between the state and us but with Freight Victoria involved as well.

Mr BEST — How are you going to arrive at the fare structure?

Mr CAROLAN — From our point of view, in the franchise the fare structure is the fare structure. One of the things the franchise does not do is give us any marked flexibility with fares at all. It remains a government decision as to what the fares should be and that is locked into the franchise. In essence, if the government of the day chose to apply a different fare increase to the faster trains it would be a government decision, not ours.

Mr THEOPHANOUS — Who would get the revenue from that?

Mr CAROLAN — The revenue from fares, as it stands, flow to us, obviously, as part of the franchise arrangements. If the government of the day chose to apply a distinctly higher fare altogether because it was regarded as a premium service or some such, there would have to be negotiations of some kind as to how that would flow, either to the state or to us. I am not aware of any intention that that will occur.

Mr THEOPHANOUS — So you get a faster, better service and the fare structure will remain more or less as is in the franchise agreement?

Mr CAROLAN — That is our expectation. If the government of the day chooses to do something different, that will emerge in two or three years.

Mr BEST — How do you get a return on investment for the 29 new trains that you are purchasing if you locked in at one end on the fares that you can charge?

Mr CAROLAN — The 29 new trains — not the same 29 new trains, as it turns out, but the expectation that we would invest in new vehicles — was known at the time of franchising and was embodied in our bid, which turned out to be a successful bid. So in that sense we should have allowed for all the appropriate calculations at the time. Whether we did or did not is to our lookout. Certain negotiations are occurring, because the new trains are of a higher speed, so if there is a marginal purchase cost on top of what we expected that will be negotiated with the department but the fundamental return on investment has been embodied in our bid in the first place.

The CHAIRMAN — I am concerned we are not going to finish your presentation.

Mrs COOTE — Are you building the Shepparton, Warrnambool, Leongatha and Mildura lines into the fast train segment?

Mr CAROLAN — No, they are not part of our franchise — and the government is not, either, but all four of those services are currently up for re-tender and we will be bidding.

Mrs COOTE — In your view, is that short-sighted? Is it something that should be looked at at this time when we are talking about those sorts of speeds, particularly to Mildura?

Mr CAROLAN — I cannot comment on that.

Mr THEOPHANOUS — I think it would have been short-sighted to have shut them down in the first place, don't you?

Mrs COOTE — I only want to know about the future, considering we are talking about getting faster trains.

Mr CAROLAN — The focus of the faster trains has been on the corridors that are deemed to be commuter links from Melbourne: Geelong, Ballarat, Bendigo, and Traralgon. Clearly different people have different opinions about what is commuter length and what is not, but that has been the focus of the faster train policy, and that is as much as I can say about it.

Mr BEST — Do we know which one will be the first, whether it will be Ballarat or Bendigo?

Mr CAROLAN — No. Again, that is not a decision that we are involved in. At the moment the tenders are being let simultaneously — or that is the intention, that the tenders be let simultaneously later this month — and that they be constructed simultaneously because clearly work that is being done in one place does not necessarily affect work that is being done somewhere else. Whether that turns out to be the case is up to the department.

Mr CRAIGE — Will you be running the new fast trains from Ararat?

Mr CAROLAN — How do you mean?

Mr CRAIGE — You made the statement that you will be operating on the reopened line to Ararat. What sort of service will you be providing to Ararat?

Mr CAROLAN — It will depend on the final timetable. It will be a matter of fact. If it turns out to be a particular timetable trip that gets to Ballarat at some time of day which is extended through to Ararat and happens to become a train to Ballarat that is run with one of the new fast ones, it will clearly be the vehicle that extends through to Ararat. But it will not run at 160 kilometres per hour beyond Ballarat.

Mr CRAIGE — Why?

Mr CAROLAN — Because the fast train project is only commissioning works on the track between Ballarat and Melbourne, not between Ballarat and Ararat.

Mr CRAIGE — So the speed will be no different from a train that would currently run between Ararat and Ballarat?

Mr CAROLAN — It would probably be marginally higher, but not necessarily to the extent of the capability of the new train. The new trains will have better acceleration and deceleration and ride characteristics, anyway — not just at top speed.

Mr CRAIGE — Who is determining the service level to Ararat?

Mr CAROLAN — Ourselves and the department, jointly.

Mr CRAIGE — Then I will ask some questions, because you are here before this parliamentary committee. What services to Ararat have you discussed with the Department of Infrastructure?

Mr CAROLAN — The announcement that the minister made is what we are discussing, which is 14 trips a week to Ararat and 28 trips a week to Bairnsdale, so one each way per day to Ararat and two each way per day to Bairnsdale.

Mr CRAIGE — Having been involved as an operator in the area and having 30 years experience — —

Mr CAROLAN — Don't remind me.

Mr CRAIGE — As a private sector operator, do you believe the service that will be operated between Ballarat and Ararat will attract the patronage so that the principle — as the Premier said — 'use it or lose it' will apply?

Mr CAROLAN — That is up to the people of Ararat and districts, not me.

Mr CRAIGE — Why not — you are operating the service?

Mr CAROLAN — The service to Ararat will necessarily be quicker than a previous train to Ararat was because the infrastructure between Ballarat and Melbourne will be quicker. So if the travel time between Ballarat and Melbourne is reduced by 15 minutes, equally the travel time from Ararat to Melbourne will be reduced accordingly. The Ararat community talks a lot about the sorts of developments that are occurring in their district with some revitalised economies and also tourism into the Grampians, and the 'use it or lose it' thing is up to them, really.

Mr CRAIGE — You are a private sector operator; you are operating a train service?

Mr CAROLAN — Yes.

Mr CRAIGE — I have asked you the question not to give me a line, but as a private operator. You are the commercial director; therefore you have a responsibility to the company which you work for on a commercial basis. On a commercial basis will that level of service which you have been told you have to operate provide you in any way, shape or form a return in a commercial way?

Mr CAROLAN — Yes, it will, as it will to the other lines.

Mr CRAIGE — Is that because you are subsidised?

Mr CAROLAN — All country public transport involves a subsidy, yes.

Mr CRAIGE — And it will continue to do so?

Mr CAROLAN — Certainly in the terms of our franchise it will continue to do so, yes.

Mr CRAIGE — Will there be an increase and are you discussing the subsidies with the government currently?

Mr CAROLAN — There will be an increase in subsidy because of reopening to Ararat and Bairnsdale, yes. We never claimed to fit it within our existing franchise.

The CHAIRMAN — We will get on to the next page, 'Challenges ahead', and we might ask some questions after that.

Mr CAROLAN — I can cover the remaining pages very quickly. The challenge for us is to increase system-wide patronage in conjunction with the other operators and with government but at the same time to try to make sure that we increase our share of that patronage if we can. So we not only want to be part of the system but we want to be the best part of that system. We need to deliver the investments that I have mentioned and many other investments besides them, and we need to really be responsive to customer needs, from both the corporate and staffing point of view. People in Melbourne and Victoria need to make the leap that people in many parts of Europe and America have made: to accepting that public transport is a genuine alternative for them for work, tourism, special events, and so on. We are close to achieving that but we have not achieved it yet.

In summary, from our point of view, we really do want to emphasise that the arrangements that we operate under are franchises, not sales. There are service level guarantees and performance improvement incentives that are built into our arrangements that are integral to the success of the franchises, not only for ourselves but also for the community in general. Australia and Victoria are by no means unique in what they are doing. There are many places where the actual operations are being seen as an opportunity for private business undertakings in conjunction with the overall policy settings by government. We think the full benefit to customers of all the schemes we are involved in will be realised over the next three to five years. The franchises go for somewhat longer than that, as you would be aware. Lastly, just from our own point of view, National Express is committed to development in Victoria and Australasia. As I said, we are a fully fledged subsidiary, with our headquarters right here in Melbourne. We look forward to further work with the community and our customers.

Mr BEST — One of the matters I would like to tease out with you is that you said you want to ensure that rail and tram services, or public transport, is a genuine alternative for the community. Just with the timetabling for the Ararat train, which will be one a day each way, what negotiations are required to take place to ensure that all the feeder buses and so forth will actually meet the timetables to get people to and from Melbourne?

Mr CAROLAN — In that case some of the connecting coach services are directly managed by us and some are not.

Mr BEST — What percentage?

Mr CAROLAN — I could not answer that off the top of my head. We have opened some discussions with the major contractor in the area. We will continue to do that and we will work with the department to have them involved as well. One way or another, it would be certainly our intention that the coaches feed into Ararat adequately but also continue to feed into Ballarat and make sure the network works as a network. Whether it is in the country or metropolitan Melbourne, our view is that increasingly we have to look after people's end-to-end travel needs. It is self-evident. The more we all get used to pretty luxurious conditions inside our cars from the

moment we leave our garage to the moment we get to wherever we are going, the more we have to make public transport the same, or as close to the same as we can, with end-to-end connections, interchange, good shelter, good information provision, and so on. That has to be the target.

The CHAIRMAN — Thank you. Mr Carolan, I will read some of the questions I am interested in getting answers to. They relate to changes introduced by National Express public transportation coverages; routes, timetables and service quality standards over recent years; the comparison of total journey times, including waiting and travelling times on key routes over recent years; changes in patronage on metropolitan, regional and rural services over recent years; the level of services provided within or between rural and regional communities; impacts of closure on country passenger lines and expected impacts of reopening. Most of those questions revolve around the past five or six years. If you are happy, I would be keen for the committee to send you a letter.

Mr CAROLAN — Yes.

The CHAIRMAN — Requesting information on any questions not dealt with at this hearing. Obviously it would be illogical to ask you about statistical information in a hearing like this. If you are happy for that to be done, our executive officer will send you a note about that and perhaps some other questions to try to show what has happened over the past five or six years.

Mr CAROLAN — Yes; we are happy to take that. In responding to that can I say that with anything that predates us we would obviously just requote information that was given to us at the time of franchising, and would not take the responsibility for its accuracy or otherwise. But they will be the best records that exist.

Mr CRAIGE — But you would be able to detail the 150 extra — —

Mr CAROLAN — Yes.

Mr CRAIGE — And the — —

Mr CAROLAN — Yes. Anything we have done we can detail, but going back before that we can talk about patronage, growth, and so on, based on the state's records of the day.

The CHAIRMAN — Well, do that.

Mr THEOPHANOUS — Thank you for your presentation. There has been a considerable amount of change in public transport over the past five or six years.

Mr CAROLAN — Yes.

Mr THEOPHANOUS — Earlier you said that your company predates us. When did you directly become involved?

Mr CAROLAN — In Victoria?

Mr THEOPHANOUS — Yes.

Mr CAROLAN — In 1999, not only by the franchising but also by the purchase of National Bus Company. It was early in 1999, and when the franchising commenced late in 1999.

Mr THEOPHANOUS — So you are a recent comer?

Mr CAROLAN — Yes.

Mr THEOPHANOUS — What is now proposed is the reopening of lines in country Victoria and faster trains into regional centres, which will involve a huge amount of government investment and a considerable contribution by you to run the services. Would you describe that as a sea change in terms of public transport in Victoria and its potential perception?

Mr CAROLAN — I would describe everything that has happened in public transport over the past 10 years or so, not only here but around the world, as a sea change. People have become aware that public transport has to be brought into the modern world. People have higher expectations than in the days when it used to be treated as mass transit — which is the American term, but there was a lot of a sense that that is exactly the way it was treated: a provision of mass transit, as if people travelling on it did not have individual needs and wants. A lot

of what has happened over the past 10 years or so has been to try to redress that and say, 'Okay, it is still mass transport because lots of people travel on it together, but it still needs to be of a high quality and what people are using it for should be recognised'. The particular changes that will occur over the next couple of years in Victoria will be a notable demonstration of that, because it will probably be the biggest single change in any of our lifetimes, with new fleets in Melbourne, faster trains to some of the country centres — as we have talked about — and so on. There will be a massive change in quite a short number of years. The interest is for the community to recognise it and use it accordingly.

Mr THEOPHANOUS — Could this have occurred without massive investment by the government in public transport?

Mr CAROLAN — Well, patently not. It requires a good cooperation between the private operators and the government of the day to achieve the priorities that public transport needs.

The CHAIRMAN — Thank you.

Mrs COOTE — What you said about mass transport and the V/Line passenger situation was interesting. While you are here I would like some clarification on some of the services you will bid for, including to Warrnambool and Shepparton, but particularly to Mildura. Of the other services you provide throughout Australia what is most comparable to the service between Mildura and Melbourne?

Mr CAROLAN — There would be nothing comparable in terms of rail services in Australia. Some of our United Kingdom services would be similar. There is a much longer distance, a much-extended travel time, and the service is going to somewhere that is relatively isolated.

Mrs COOTE — That is in a distance sense. In the people sense, you mentioned mass transport in your answer to Mr Theophanous. Obviously there is not a mass going to Mildura.

Mr CAROLAN — No, there certainly is not.

Mrs COOTE — My question is: what sort of subsidy will be needed to make that viable? It is an awfully long way with very few people.

Mr CAROLAN — I cannot answer with what subsidy will be involved, because it is meant to be done by a bid process. It is a competitive bid process for Mildura and for the other three corridors you mentioned. I certainly cannot table what subsidy level I think might be required, or our competitors might have a bit of an insight into what — —

Mrs COOTE — But in your view it would have to be significant to make it viable, in comparison with what you are dealing with for the same distances in England?

Mr CAROLAN — Certainly because of the population densities in England I do not think you can make that comparison at all. If you like, on a per-passenger basis it will probably be higher to Mildura than to some of the other corridors even here. But again, you cannot really compare Mildura with Geelong. So per passenger is the appropriate way to make the comparison.

Mrs COOTE — One of the pages of your submission refers to 'Challenges ahead'. Certainly bidding for Mildura will be a challenge?

Mr CAROLAN — It is a challenge we will be grappling with over the next few months. The first round of tenders closes in early October.

Mrs COOTE — You would be hoping for a significant subsidy, I would imagine. Thank you.

Mr BEST — Have you been given any time frames for when the line trail track will be in a suitable condition to take faster train services to Mildura?

Mr CAROLAN — To Mildura?

Mr BEST — Yes. I do not know whether you are aware, but currently we have freight trains that cannot travel any faster than 40 kilometres per hour.

Mr CAROLAN — That is right. I am not sure about 40 kilometres, but I am aware. The government's announcements in respect of Mildura build on the standardisation process. So the passenger trains to Mildura will be reintroduced when infrastructure works to make that line a standard gauge line have been completed. The announced date for the reintroduction of trains to Mildura, I think, is late 2004, when that standardisation process has been completed. But I stand to be corrected on the precision of that.

Mr BEST — Have you entered any maintenance contracts or identified where the maintenance for your fleet will be performed?

Mr CAROLAN — Country fleet?

Mr BEST — Yes; country and metropolitan.

Mr CAROLAN — At the moment our country fleet is maintained at what used to be the PTC service depot at Dudley Street, North Melbourne, just outside Spencer Street. The metropolitan trains are serviced largely at Newport and North Melbourne. At this stage we would intend to continue to use those sorts of facilities.

The CHAIRMAN — I refer to this document put out by Freight Australia.

Mr CAROLAN — I have not seen that document.

The CHAIRMAN — Freight Australia refers to its view that it is not able to put enough money into the maintenance and upgrade of country rail tracks. In the document it points out that it believes the pricing orders limit its ability to upgrade the lines, associated signalling and sidings and things. It sees that as a huge risk to its business, particularly if other passenger trains use the lines it is trying to upgrade and the whole financing to give it the ability to do so is restricted. In its view that is entirely unfair and will result in slower travel times and more freight going onto the road — it is about trying to get freight onto the trains. It sees that the passenger system may unfairly use the country tracks to its disadvantage, given the pricing order. Do you have a comment on that?

Mr CAROLAN — As to the actual nature of Freight Australia's views vis-a-vis its sale arrangements, it is important to understand that Freight Australia was sold as a business. So Freight Australia's operational business is a sale; Freight Australia's lease over country rail infrastructure is a lease, but the business as a business was sold. So it is a little different to us where it is a pure franchise and lease arrangement. We obviously rely on Freight Australia's maintenance activities for the safe and expedient operation of country trains. To that end we pay it an annual fee, which we would like to think is well used to allow our services to operate properly. That is not what it is arguing about there. What it is arguing about there is to do with some intricate details of the nature of the negotiations it went through with the previous government, and it is up to it to conduct the details of that argument with the present government. We are a relatively passive bystander in the debate.

Mr THEOPHANOUS — Can you elaborate on that? You have lost me. When you say the detail — —

Mr CAROLAN — The pricing orders it is talking about there relate to pricing orders that would be made under the powers vested in the Office of the Regulator-General to allow open access on freight railways in Victoria. Freight Australia leased the track and is an operator, but there is to be open access to those freight railways, so anyone else can apply to run on those tracks.

Mr BEST — Like the Wakefields from Mildura?

Mr CAROLAN — Yes, for freight purposes.

Mr THEOPHANOUS — What has that to do with the previous government and the current government?

Mr CAROLAN — I have not seen the document, but I believe its nature would be that it is addressing Freight Australia's expectations as to the pricing orders it is allowed to charge other operators to use its track. In turn, those issues relate back to the nature of the sale and lease arrangements it went through with the previous government.

Mr McQUILTEN — It is a bit like Telstra.

Mr THEOPHANOUS — It wants to renegotiate?

Mr CAROLAN — I do not know what it wants to do; I cannot speak about that. I just know where it relates back to.

The CHAIRMAN — Mr McQuilten?

Mr McQUILTEN — No questions.

Mr THEOPHANOUS — I am interested in some of the time lines and answers to some of the questions put to you by the Chairman. Firstly, it would be useful if in your answer you provided the committee with some views about the impact to public transport of some of the closures that occurred, particularly in regional and rural Victoria, because that relates directly to one of our terms of reference and we need to make a comment about that. I would be interested in your comments not just on its reintroduction but also on whether there would be an impact, including an economic impact. Secondly, I presume that quite a lot of employment will be generated as a result of the significant track upgrades and so forth that are occurring. Are you able to provide any information on the sorts of employment that might be seen in Bendigo, Ballarat or other areas to bring the fast train infrastructure into place?

Mr CAROLAN — I would only be able to comment from our own point of view, which relates to some marginal employment with extra drivers, maintenance staff, or whoever. The big impact will be by way of the heavy engineering firms, and I cannot comment on that. I am not in a position to do that, because the contracts are actually being let by the Department of Infrastructure. It would have some estimates on what is involved there.

The CHAIRMAN — Mr Craige?

Mr CRAIGE — I have only one question. The deputy director of public transport and the director public transport planning referred to an age-old problem you would be well aware of — that is, the integration — —

Mr CAROLAN — Excuse me, indicated here at a hearing?

Mr CRAIGE — Yes — an age-old problem you would be fully aware of — that is, the integration of the V/Line passenger country services into the metropolitan system and the priority which has been given over the years in respect to management. They indicated that there would be an allocation of funding to upgrade some of the rail and signalling infrastructure so it could be more adaptable; others have said to us that it is merely a management issue. I would like your comment on that, in particular. Is it a management issue only, or is it an infrastructure issue? By the way, I note that when it comes in a lot of times the Bendigo train cannot even get into the inner section of Spencer Street station; it has to go way out to the end of the siding rather than come in a lot closer.

Mr CAROLAN — Yes. In my opinion it is very much both. I think anyone who tries to put it more or less totally in one basket or the other is oversimplifying. The metropolitan area, particularly to the north-west of the city between Spencer Street, North Melbourne, Footscray, Sunshine and so on, is very congested. A lot of the metropolitan lines feed into there, as do all the country lines — the Bendigo, Ballarat and Geelong lines all end up coming through the same piece of geography. There are management issues to do with a train passing from one system to the other. To go back to what I mentioned before, the country infrastructure is managed by Freight Australia. So when a train is, let us say, out near Lara or Little River or wherever, it is managed and controlled by Freight Australia until it gets to the boundary — which is Werribee in that case — when it starts operating on the Bayside infrastructure and becomes managed by Bayside. Now that happens to be another one of our companies, but that is in a sense immaterial; it is crossing from one operator to another.

There are management issues to do with that interface and, if you like, what priority the country train is given compared to a nearby metropolitan train on a timetable. So there are certainly management issues involved. There are protocols to deal with most circumstances, but obviously the unexpected always happens, and you rely on good management and good judgment by the actual train operators themselves. However, investment and infrastructure issues are also involved — for example, the country fast trains project will rely not only on infrastructure work being conducted out there, if I can put it that way, but also on some of the signalling and infrastructure improvements close to the city. Both of those avenues need to be pursued.

Mr CRAIGE — They are essential.

Mr CAROLAN — Thank you.

The CHAIRMAN — Thank you for coming along today. We will send to you a copy of the transcript of our discussions. We will also be sending correspondence of those questions I referred to earlier.

Mr CAROLAN — Do you have a time line on those responses?

The CHAIRMAN — A few weeks. Are you happy with that?

Mr CAROLAN — Yes.

The CHAIRMAN — Thank you very much for your time and the way you have dealt with our questions. We appreciate that.

Witness withdrew

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Melbourne – 3 September 2001

Members

Mr R. A. Best
Mrs A. Coote
Mr G. R. Craigie
Ms K. Darveniza

Mr N. B. Lucas
Mr J. M. McQuilten
Mr T. C. Theophanous

Chairman: Mr N. B. Lucas
Deputy Chairman: Mr T. C. Theophanous

Staff

Executive Officer: Mr R. Willis
Research Officer: Ms K. Ellingford

Witnesses

Ms S. Ross, Area Manager, Area North Central Victoria;
Mr T. Green, Business Manager, Area North Central Victoria;
Mr M. Dullard, Business Manager, Area West Victoria; and
Ms D. Major, Customer Segment Leader, Youth and Student Services, Area South East Victoria, Centrelink.

The CHAIRMAN — I reopen the hearing of the Economic Development Committee, which is an all-party investigatory committee of the Legislative Council. Today we are hearing evidence relating to our inquiry into structural changes in the Victorian economy.

I wish to advise all present at this hearing that all evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. We welcome you all to our hearing. We appreciate your coming along today to give evidence. We also appreciate very much the submission you have sent to us. We usually run these hearings by inviting you to make an opening statement and then we ask some questions. Would someone — or you may all — like to make an opening statement? We might then ask some questions. We have a maximum of an hour to do that.

Ms ROSS — I will start, Mr Chairman. I thank the committee for the opportunity to present here today and to answer any questions you may have to put to us.

Centrelink is a relatively new organisation, established only in 1997 by the federal government to provide as much as possible a one-stop shop for access to government services. Since 1997 when we were established we have grown considerably from the original combination of departments for service delivery. We are now delivering services on behalf of 23 agencies, including a range of federal, state government and local government agencies. On behalf of those agencies we deliver more than 70 programs and services.

Some of our state and local government arrangements includes the delivery of rent deduction schemes for state housing authorities; Centrepay, through which we have a range of agreements to assist customers to budget and to ensure that the parties to whom they owe money such as housing authorities receive that revenue; Service Tasmania, which is an arrangement with the Tasmanian government that we have covered comprehensively in our submission; and in New South Wales we confirm entitlement to and issue transport concessions to the departments of transport and community services. In Victoria we provide information to our customers on the Victorian government's community jobs program and the adult incentive program. We are also participants in the local learning and employment networks. We are on regional youth committees and are involved in operations such as the Front Yard, in which the state government also has an interest.

The extent of our business is clear from the size of our customer base, which is about \$1.5 million people in Victoria, and of course we cover a range of circumstances from retired and families through to sole parents, people looking for work, those who are incapacitated with short-term or with longer-term disabilities, carers, widows, primary producers, students, young people, indigenous people and people from diverse cultural, linguistic backgrounds. In recent times, like many other businesses, we have had an increased focus on technology. Our call centre network takes about 4 million calls annually from Victorians. We have 59 customer service centres, 28 of which are in regional and rural Victoria, and we have opened some new and larger rural sites in recent times such as those in Bairnsdale and Seymour on the basis of customer demand in those locations.

At the moment 19 agents deliver services on our behalf in Victoria, and more than another 20 are planned for this year. We have 19 visiting services, and at least another 14 planned for this year, three access points which are technology based services for our customers with another 20 or so planned for this year, and by the end of this year we will be involved in approximately 20 rural transaction centres across Victoria. Much of what we do through rural and regional Victoria comes from our national rural and regional servicing strategy, which has given us a significant focus on those parts of Australia.

Centrelink has a strong framework in place to make sure it is responding to what the people of Australia and Victoria need. We talk regularly to our customers through a variety of forums. We have opportunities for our customers to give us direct feedback through things like 1800 numbers, surveys, value creation workshops. In total we pay about \$10 billion a year in payments and services on behalf of our clients throughout Victoria, and we are now established as a gateway to a wide range of services.

Pages 9 to 18 of the submission cover the full range of services for people looking for work. More and more we are trying to look at the linkages with other organisations, whether they be private or public, with whom we might enter into partnerships to improve the lives of our customers. As mentioned in our submission, Service Tasmania is one such arrangement, where we use the networks of other organisations to offer a range of services. We are certainly keen to explore further opportunities in Victoria. We already have some partnerships in this state, particularly at the local level, through the Whittlesea youth partnership and the on-campus servicing arrangements we have with major tertiary institutions.

With around 3500 staff in our customer service outlets and more when you count those in our call centres, the number of outlets we have and the opportunities we have for further expansion, we are certainly keen to look at partnerships that would help us to deliver programs in partnership with the state government.

The CHAIRMAN — Thank you very much. You are aware of our reference, which asks us to look at structural changes over what we have chosen in the past five or six years. As a matter of interest, were each of your witnesses here today members of the public service, delivering some sort of services to the community, prior to your work at Centrelink? In other words, if I go back four or five or six years, were you all then in a department of something?

You are nodding. In this sort of an area? Does everyone nod at that, too? For the record, everyone is nodding.

If we go back to, say 1995-96, you have given us a document which gives us in chapter and verse details of what is happening now. How would each of you describe what was happening in 1995-96 so we can get in our minds where we were then and where we are now?

Ms ROSS — Centrelink was the major partnership that came together. Centrelink was a combination of the Department of Social Security and the Commonwealth Employment Service (CES). When I talk about a vision for Centrelink, which was about a one-stop shop, one of the issues obviously for unemployed people was that they had to go to both of those places to be able to get help in finding work. We aim to allow them to start their search for work and to deal with any income issues that they have and any specific barriers to employment in the one place.

Mr THEOPHANOUS — But aren't there fewer what you call one-stop shops than there were under the previous system of CES offices and other offices?

Ms ROSS — Under the previous system there were in fact no one-stop shops.

Mr THEOPHANOUS — No, but services were provided through the CES and they were closed down. Did you take up the role of the CES?

Ms ROSS — No. The way the employment system now works is that unemployed people come to us for help with both their income support needs and their referral to services that will help them find a job. So we do an assessment of both areas: the level of help they need, both in monetary terms and in support terms, to find a job, and then the job network is contracted by the federal government to provide services from just preparing someone to be more job ready through to working with them on any substantial barriers to employment they may have, such as drug or alcohol abuse.

Mr THEOPHANOUS — Was it your department's initiative that employed all the people who worked before in CES offices and other offices throughout regional Victoria? Did you take those people into your organisation?

Ms ROSS — Yes. In fact, we don't look at it as taking them on; we look at it as a completely new organisation that was formed by mainly people from social security and the CES but also other organisations as well coming together to form Centrelink, rather than social security taking over CES.

Mr THEOPHANOUS — But in terms of our reference, didn't that rationalisation involve loss of jobs in regional and rural Victoria?

Ms ROSS — With the creation of Centrelink some efficiencies have been found, yes, and some jobs were found to be no longer required throughout Centrelink.

Mr THEOPHANOUS — I am trying to understand whether the new offices you have established took up the slack that was created as a result of the closure of those other offices, and more particularly whether what you found was, or whether it has been expressed to you, throughout regional and rural Victoria in particular, that some closures of offices in particular towns had a significantly negative impact on those towns.

Ms ROSS — I could not comment on that. When the two organisations merged the people who were employed by CES and DSS came together to form Centrelink. Our funding is based on customer numbers and so our staffing levels change over time, both up and down, depending on the level of customers we have at any one time.

Mr THEOPHANOUS — So is it incorrect to say that as a result of that restructure and rationalisation the CES offices were closed, social security offices in some instances were also closed and there was a reduction in the number of people overall employed in the sector?

Ms ROSS — It would be incorrect to say that social security offices were closed as a result of the creation of Centrelink. The social security offices were in the main the sites from which Centrelink was chosen to deliver its services, and they were in many instances amalgamated with the CES sites where the staff from CES came across to Centrelink.

Mr THEOPHANOUS — So CES sites were closed?

Ms ROSS — Yes.

Mr THEOPHANOUS — And there was a reduction in employment?

Ms ROSS — No, because a job network was established, and in many sites the establishment of job network services involved the employment of some ex-CES staff, so I couldn't comment on that. That is in the private or non-government sector.

The CHAIRMAN — I am still trying to get my head around what was there in 1995-96 compared with what is there now. Mr Theophanous's line of questioning revolved around how many staff there were, but in terms of the services provided in rural Victoria, what was the arrangement with the number of physical outlets in 1995-96 compared with what is there now?

Ms ROSS — I could not give you an exact number, although I could find out from 1995-96 figures. However, we have expanded our services considerably since that time, particularly in establishing visiting services to small rural towns that previously may not have had services, or where technology has made it possible for us to establish access points. There are also rural transaction centre (RTC) arrangements now in place with other organisations, so there certainly are many more points from which customers can access our services.

Mr CRAIGE — And many more to come, by the look of it?

Ms ROSS — Yes, and many more to come.

The CHAIRMAN — Would it be possible for you, following this hearing, to arrange for a document to be prepared, showing the types of outlets prior to 1997, what the situation was and how that has progressed to the situation that we have today, which you are more than adequately describing to us? That would be useful because we are compelled to look at what has happened over the last five or six years. It is important for us to know what is happening now — and there is a lot of information as to what is happening now — but we have to track it through. We will confirm that with a letter to you.

Ms ROSS — That is fine. And I will also include information about call centres, because we have opened a number of core centres in rural and regional Australia.

The CHAIRMAN — We are interested in the availability. What has the effect been on someone who lives in, say, Patchewollock, Yarragon or Bright? Where are the different services that all these people need? How do they access them? And if it is by computer or physically going into one of your offices or an RTC, what is the availability now? What was it a few years ago? What was it in 1995-96? That is something we are specifically interested in.

Mr CRAIGE — And importantly, not only the access to the facility, but the services that each one of those provides. I would be interested to know, if you have agents, what services those agents are providing. I notice you deal with the rural transaction centre at Welshpool. It would be interesting to know what services you are providing through such RTCs. When somebody comes into an access point and sees heaps of opportunities, can they access all of them, or are there restrictions on the access to the various programs? It would be really helpful to get a handle on what is being provided at the various RTCs.

Ms ROSS — Yes, certainly.

Mr McQUILTEN — Are there any problems in the changeover from having public servants doing the work in 1997 to the privatised way that it is going in country towns now, where I see, in the case of Maryborough, four companies now working in the area? They are all supplying probably the same or similar services.

Also, you have Centrelink there as well. I am wondering about this relationship between your group or government department and these private operators. Is it good? Is it healthy? Presumably you will say yes, but are there problems in working with them? Are they focused on the people or is there a possible danger that they are only worried about obtaining the next funding arrangement? I am wondering about those perceptions in this change, over the last four or five years.

Ms ROSS — The federal Department of Employment, Workplace Relations and Small Business (DEWRSB) is the organisation that contracts the job network members. At the time contracts are due for renewal that department does an assessment of the efforts of the job network and also runs a feedback line so that it can obtain information about their performance. It has also done an evaluation of the effectiveness of the job network, so it would be that department that would best be able to comment on the performance of the job network.

Mr McQUILTEN — Not you?

Ms ROSS — In terms of our relationship, part of our contract that we deliver for DEWRSB is the establishment of forums whereby we talk to those job network members regularly about our shared customers, and we do in fact have, in most instances, very good relationships with them.

Mr THEOPHANOUS — So you now refer people to those networks when they come in looking for a job, unless you have a suitable program such as work for the dole or something like that?

Ms ROSS — We assess where they are at in terms of their employability, and then there are different levels of job network members contracted to assist our customers, depending on whether or not there are barriers or they are job ready.

Mr THEOPHANOUS — So you are not actually able to help them get a job? You have to refer them?

Ms ROSS — If they need assistance we refer them, but we provide in each of our customer service centres self-help facilities where people who do not need any special assistance can prepare résumés; they can access the touch screens that DEWRSB maintains for job advertisements, and they are able to print off information about vacancies; and they are also able to phone prospective employers or fax them their résumés. So depending on their job readiness they may well get everything they need from us, but if more intensive assistance is needed they will be referred off to some other providers.

Mr THEOPHANOUS — There seems to be a significant overlap here. You are saying that a lot of the work in trying to get somebody a job is done at Centrelink. Is that is what you are saying?

Ms ROSS — I am saying that we assess their readiness for work, and if they have barriers to employment or need special assistance we will refer them to somebody who has been contracted by the government to provide them with a program that will help overcome those issues.

Mr THEOPHANOUS — How do you decide which of these four in Maryborough, for instance, you will refer them to?

Ms ROSS — It is the customer's choice. If all four were providing the same service the customer could choose any of them. If, however, one of them were providing a specialised program because of a particular barrier such as drug and alcohol abuse, then the customer would be given the choice of using that local provider to deal with that particular issue.

Mr THEOPHANOUS — Are you aware of any of the reports by these private providers that have been reported in the press? Have you seen evidence of these reports in your dealings and are you aware of any of them?

Ms ROSS — I haven't seen any evidence, and I have certainly seen the press reports so I am aware of the reporting of them, but once again that is a DEWRSB matter in terms of management of the contract of the job network members.

Mr BEST — A couple of questions: first of all, we were in western Victoria last week and we heard anecdotal evidence about transport problems for people who, because of cheaper housing options, were living in remote areas. They had problems actually accessing Centrelink services because of the lack of frequency of transport services. Are you doing any work to overcome those sorts of issues?

Ms ROSS — Michael might like to talk about the plans in western Victoria.

Mr DULLARD — I have a document which I obtained from our people this morning which expands on the information that is in the submission. At the time the submission was put together some of these additional outlets were not approved but they have now been approved, and in the response that we give to the committee in relation to the previous question I will give you a copy of all of this, but we are looking at an additional 30 Centrelink focus points in the form of either centrelink agents or Rural Transaction Centres throughout western Victoria over and above what is in the documents we currently have. Our area covers from Portland through to Geelong, up the Calder Highway to Mildura and around the borders, so it is a large geography in Victorian terms, but once these are all in place we will have a fairly good coverage of the western part of the state.

The other thing that is available, if the customers cannot get to us, is the facility for staff to go out and see customers at home if necessary, or we can assist them over the telephone, or through our call centres. There are a range of services other than by them visiting our sites.

Mr BEST — Don't get me wrong — I think the rural transaction program and rollout has been an outstanding success, and that was again commented on in the evidence we heard last week, particularly at Dunolly, where it is working very well; but one of the things I would like to explore with you is that you talk about future opportunities for Victoria, and then you have a number of issues so far as privacy principles and so forth are concerned in there. Can you expand on them and tell us what you are trying to achieve or what you identify as some of the future opportunities and services that you are trying to get to rural Victorians?

Ms ROSS — One of the issues that employs quite a lot of our thinking at the moment is how we can ensure that people can, as easily as possible, understand what is available for them — the range of services — and how they can as easily as possible access them without having to move from organisation to organisation or place to place. Indeed, it may be that one level of government is providing a service in one town and in another town is providing another service, so our thinking is very much at the moment around — and I suppose the Tasmania experience is driving a lot of this — what are the opportunities for us to provide access to services for mutual customers in one convenient location? That may not mean face-to-face visits of course, it may be the sorts of things we are thinking about in Tasmania too, such as what we might do cooperatively or collaboratively by way of online services. How do you overcome the difficulties of people having to go to different places, whether it is face-to-face or online, for their services?

Mr BEST — So you would explore a new partnership, say, with local government and some of private providers that may already be providing services in some of the towns?

Ms ROSS — Yes. We are open to any suggestions that will help us make it easier for our customers, because we know they have to access a range of services, and government is so confusing for the ordinary citizen. It is confusing enough at times for people who are employed in it, but it is particularly confusing for the citizen.

Mr BEST — So some of your customers wouldn't know the difference between a state and federally funded service?

Ms ROSS — Yes, that is right, and of course one of the lovely stories is about the person who rang up our call centre hoping to get a pass to travel along City Link. So when the names are close, it is even more difficult!

Mrs COOTE — I want to move to some specific areas. One is about the Return to Work program and the other is about the youth areas. I will start with the Return to Work issue. Can you give me some indication about the ongoing success of that, given that our reference is looking back over the last several years? Has Return to Work been a successful program across Victoria, and is its success continuing? Secondly I want to ask the same question about the youth areas.

Mr DULLARD — Are you talking in round figures?

Mrs COOTE — I want to know anecdotally. It is unfair to ask you for specific details now, but has the Return to Work program itself been a success in rural and regional Victoria over the last, say, five years?

Mr DULLARD — The Department of Employment, Workplace Relations and Small Business would be better placed to answer because it is the organisation that monitors that area.

Mrs COOTE — So the people coming in to ask you for support and direction — to me it is a key thing to get some of those rural and regional people back to work. Is that something you are dealing with on a regular basis, and you can see that there is a successful transition, given that you are sending those people off to get jobs?

Mr GREEN — In terms of targets we have been set for referrals, we are meeting those targets, but whether that is your measure of success is another matter. You are talking here about women and carers returning to the work force. We are speaking about a specific program here called Return to Work.

Mrs COOTE — I am talking about the Return to Work program in your submission. I wouldn't have thought it was just carers; I would have thought it was right across the spectrum.

Mr GREEN — No, it relates primarily to women who have been carers. It is a specific program and a referral service that we offer for people to raise their skills and make themselves job-ready.

Mrs COOTE — Well that is even more exciting. Has that been a success?

Mr GREEN — Yes, in terms of our targets, but it might be a question better put to the client agency. They have asked us to ensure that a certain number of people get referred, that a certain number of people are informed about that program, and we are certainly meeting our target in relation to that. Whether they want to up the ante is unclear to us at this stage.

Mrs COOTE — So from your point of view, certainly these people that you are targeting, women returning to work, they are aware of the programs and referrals — that they can come to you — and those numbers are increasing? The awareness is increasing?

Mr GREEN — I couldn't say whether the awareness is increasing across the state for women, but certainly we are publicising the program and getting to the numbers that our client department expects us to. That is not very helpful, I know.

Mrs COOTE — But you are sorting out the process?

Mr GREEN — Yes.

Mrs COOTE — Likewise with youth, what is your feeling about rural and regional youth and employment opportunities for them in Victoria? How are you helping them, as a process? Can you give me some understanding of where we are at in a comparative sense over the last couple of years?

Ms MAJOR — Certainly the focus for us is by age. If they are under 18 we would like them to remain at school, which stays with the state government initiative as well as school retention rates. So that is our focus for those young people; and certainly there is the benefit of school retention or improving their educational qualifications to gain jobs and remain in them. So for the last two years our focus has been on trying to get the young people to remain at school and improve their position that way. I cannot comment on the Return to Work focus of DEWRSB for young people because I do not have information, but for us it is important that we — —

Mrs COOTE — You have a lot of young people across rural and regional Victoria who are engaging with you about getting assistance to help them go further, and that is increasing?

Ms MAJOR — Yes, that is increasing.

Ms ROSS — We do of course have groups of young people at risk, and we do a fair bit of work in a number of rural locations — sometimes with parents, often with schools — looking at young people who are at risk, and of course that is an increasing problem in rural and regional Victoria just like it is in metropolitan Melbourne.

Mr CRAIGE — In response to a question Mr Best asked in respect of further opportunities in Victoria, you mentioned the magical word 'online'. I would like your comments in respect of online and rural and regional Victoria, where in fact online does not always mean online, it means offline more than it means online! We have heard that overwhelmingly in respect of the western region the ability of residents and even businesses to remain connected to the system is somewhat average. It is great to have an aspiration and online is good for metropolitan Melbourne, but surely you need to draw a distinction between online rural services and metropolitan Melbourne. Do you acknowledge that as being an issue?

Ms ROSS — In looking at what channels of service delivery we use in the future, one of the biggest issues for us to understand is exactly what our customer groups will want to or be able to access. It is certainly a very strong feature of our future service delivery plans that we will not be asking groups of customers to access us in a way that disadvantages their access. So that may mean it will not be just a distinction between rural and

metropolitan, it may also be a distinction between young people, unemployed people and older people — for example, 70-plus-year-old men are one of the biggest users and biggest growing groups of online services. We have to understand all those things about our customers before we offer services in other ways. We would hope to offer a greater choice so that people will be able to use whichever method of accessing suits them.

The CHAIRMAN — If you were out of work in 1995 you went to the Commonwealth Employment Service. If you are out of work in 2001 you go along to Centrelink, which may tell you that there are four providers in the town and give you a list of them. You can go to any of them; it is your choice. Is that a correct statement?

Ms ROSS — Yes.

The CHAIRMAN — What are the advantages or disadvantages of having four providers of job network services in Maryborough? If there are four compared with one previously, the CES, what is the advantage or disadvantage?

Ms ROSS — Michael, are you aware of the provision of different services in Maryborough?

Mr DULLARD — In answer to the question, the Department of Employment, Workplace Relations and Small Business managed the tender process for the job network. It went to tender, people tendered and DEWRSB decided where they would award contracts. Centrelink certainly did not have any function at all in that process.

Ms ROSS — It may be they are different services — for example, we have some providers who are providing intensive assistance and others providing job search training, which is a less intensive service. I do not know what is in Maryborough by way of — —

The CHAIRMAN — It could be any country town. Are you saying that in a country town, not a particular one, where there are four providers, each of the four might be providing something different?

Ms ROSS — Theoretically they could be.

Mr McQUILTEN — Or all the same?

Mr DULLARD — Or all the same.

Ms ROSS — Yes, depending on the number of placements they have been contracted to provide and the total capacity of that town in terms of placements.

The CHAIRMAN — The combination of what they provide might be different, but they might all be providing a similar service and the packages each of them have might be entirely different?

Ms ROSS — And as Michael rightly said, that is determined by the analysis by the DEWRSB of the market for this sort of thing in that particular location and what has been tendered, because the size of the business that any organisation might tender for might not meet the requirement in any one location.

The CHAIRMAN — What is the advantage of having four providers of services in a country town compared with one provider as the CES used to be?

Mr GREEN — Could I make the point that in 1995 you would have gone to the CES and social security, so you would have gone to two government agencies, and you still may have gone to some other service provider if you had barriers that the CES did not deal with. They still could have had some contract arrangement with another service provider.

The CHAIRMAN — Which would make three.

Mr GREEN — It could have been three. We understand that the advantage in this situation is to give people choice. When you ask what the advantage is of having four, you do not have to access four, but it gives people choice and it is market forces at play.

Mr THEOPHANOUS — You could go to all four, could you not?

Mr GREEN — You can shop around.

Mr CRAIGE — Can you go to all four?

Mr GREEN — You certainly can, yes

Mr CRAIGE — Does that happen generally? You guys are at the coalface.

Mr DULLARD — We give the job network members an opportunity to market their services to potential customers. We run seminars for customers before they make a choice. We invite the job network members to come along and discuss what sorts of services they can provide before the customer makes the choice. We hope it is an informed choice but, as Tony mentioned, market forces drive it to a large degree.

The CHAIRMAN — Has some comparison been undertaken by your department that compares the outcomes that CES provided through the system it employed and what the job network is providing?

Ms ROSS — Not by Centrelink, but the submission you have from the Department of Employment, Workplace Relations and Small Business refers to the evaluation that has been done through that organisation of the job network.

The CHAIRMAN — That is departmental. Has anyone else done work on that?

Mr DULLARD — I think there is to be an Organisation for Economic Cooperation and Development (OECD) document released next week, but we have not seen it yet. It will talk about the job network, I understand.

The CHAIRMAN — The committee will follow that up, thank you.

Mr THEOPHANOUS — Do you have a range of contacts within the community that you maintain, including business contacts?

Ms ROSS — Yes.

Mr THEOPHANOUS — So you know what is going on in the community in the sense of where people might be putting on jobs and where people might not be and so forth. Do you maintain all that knowledge?

Ms ROSS — I think one of Centrelink's strengths on the ground is that it has established a lot of relationships with community groups, employers and so on. In fact it is expected that our local managers have outreach and knowledge of the community very high on their agendas.

Mr THEOPHANOUS — If someone comes into one of your offices and says they are looking for a job, and you know there is a job going at a particular place because of these relationships that you have established, you are actually unable to refer that person to that job; is that correct?

Mr GREEN — That is the case.

Ms ROSS — However, if that job was on the touch screen the person would be able to access it directly.

Mr THEOPHANOUS — But as an organisation you cannot refer a person to a job even if you know that a job exists — and you are all nodding your heads that that is the case.

Ms ROSS — Yes.

Mr THEOPHANOUS — Does that not mean that Centrelink is basically working with one hand tied behind its back with respect to assisting people in getting jobs out there in the community? You are saying to the committee that you can know that there is a job but you cannot refer the person to go and get that job.

Mr GREEN — We can show the person exactly how to get that job, but we cannot make a formal referral to that employer. We can show the person how to access information about vacant jobs; we have that within our offices. We can assist the person to ring the employer, give them the phone or the fax to contact the employer; or give them the address so they can go around themselves.

Mr THEOPHANOUS — But that is not what you do. You refer them to a job network provider, do you not?

Mr GREEN — No, not necessarily. As Sheila said before, probably the majority of unemployed using our — —

Mr THEOPHANOUS — Can I have an answer to my question: is it the case that you have one hand tied behind your back in terms of competing with these job network providers?

Mr GREEN — We are not in the business of competing with them.

Mr THEOPHANOUS — Is that a yes or a no?

Mr GREEN — It is not our job, so we do not see it — —

Mr THEOPHANOUS — You are not allowed to.

Ms ROSS — We are contracted to provide a service that is not a job-finding service. However, people who come into our offices — one of the facilities I forgot to mention before is the local newspapers and so on — have access to all that information. If there is a local job that is generally available, someone will be able to access it from the information we have.

Mr THEOPHANOUS — So you can refer them to a job network provider, is that correct?

Ms ROSS — Yes, but many people do not need referral to a job network provider. They will, within three months of becoming unemployed, actually find themselves work through facilities.

Mr THEOPHANOUS — If someone comes in who does not have a job you are able to refer them to a job network provider, but you are not able to provide a referral to an actual employer. Have I got the facts right?

Ms ROSS — That is right.

Mr THEOPHANOUS — And you refer them to a job network provider. When I asked you earlier if were you aware of any reports of rorts going on, you said no. Given these things are a matter of public record, why have you not made it your business to find out?

Ms ROSS — I do not believe I said no, I was not aware of them; I said I was aware of them. I have seen reports of them, as you mentioned. What I did say was the matter of contract management is DEWRSB's responsibility and not something therefore that Centrelink would become involved in.

Mr THEOPHANOUS — What if one of the four providers in the imaginary town we are talking about came to your offices and wanted to set up a sweetheart arrangement so it got referrals rather than the other three? Is that kind of thing possible under the present situation?

Ms ROSS — If one of the job network members came with that proposal to one of our offices my expectation would be that an immediate phone call would be made to advise DEWRSB and it would be up to DEWRSB to follow up that issue.

Mr THEOPHANOUS — So it does not happen?

Ms ROSS — I have not heard of a job network member putting a sweetheart deal to one of my managers.

Mrs COOTE — I refer to rural transaction centres. Did you say that you will be involved with 20 across Victoria?

Ms ROSS — Yes.

Mrs COOTE — Are they spread evenly across Victoria?

Ms ROSS — No. The area of western Victoria actually has the largest rural component within its boundaries, and many of those are in western Victoria.

Mrs COOTE — Are you involved with it at the outset or do you become involved with the community? How does it work? Is it different in every instance?

Mr DULLARD — There is a difference between a rural transaction centre and a Centrelink agent. We have contracts with the agents, and there are different levels of agents determined by what levels of service they will provide on our behalf. So yes, we select the agent, we are responsible for training the agent and we are

responsible for providing things such as computing equipment and some of those additional facilities. We monitor their performance and we maintain an ongoing relationship with them.

Mr McQUILTEN — I am trying to get this whole thing in perspective. Your department has to work with the private service providers — you are obliged to do that — but another department has control over who gets the contracts and whether they are doing the job properly?

Ms ROSS — Yes.

The CHAIRMAN — Mr Dullard, Ms Major, Ms Ross and Mr Green, thank you for coming today. The committee appreciates the time you have given and the submission you have sent. A letter will be sent to you requesting some of the information I referred to earlier. Also, a copy of the Hansard transcript will be sent to you, which will articulate the information the committee asked you for. The committee appreciates the time you have given.

Committee adjourned.